

SPECIAL NOTICE

May 2, 2003

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342
Teletype 1-800-451-7985

Update: Important Information on Use Tax

The purpose of this notice is to provide an update on the use tax legislation enacted in the 2002 session and the Legislature's clarification with Engrossed House Bill (EHB) 1977, Chapter 5, Laws of 2003.

The 2002 legislation, Senate Bill (SB) 6835, Chapter 361, Laws of 2002, was intended to impose use tax on the charges for services performed outside of Washington on tangible personal property that is subsequently used in this state. However, it was not intended to impose use tax on services that are not subject to sales tax. EHB 1977 clarifies the legislative intent of the 2002 bill by amending use tax statutes and retroactively extending the use tax exemptions to those services that already had sales tax exemptions.

Our Special Notice dated February 7, 2003 (*Important Information on Use Tax*) lists sales tax statutes (82.08) and use tax statutes (82.12) that provide exemption for certain tangible personal property. The sales tax statutes specifically indicate that charges for labor and services related to such goods are also exempt of sales tax. With the enactment of EHB 1977, the use tax statutes are amended to include labor and services performed on the qualifying goods.

The bill (and the use tax exemptions provided therein) is retroactive to June 1, 2002, which is the effective date of SB 6835.

The Department is directed to refund any use tax paid and forgive unpaid use tax caused by the omission in the 2002 legislation. Refunds can be requested by either completing amended returns or preparing a worksheet detailing the overpayments. The worksheet must clearly identify the tax reporting periods involved. Requests for refunds should be directed to: Refund Section, Taxpayer Account Administration, Department of Revenue, PO Box 47476, Olympia, WA 98504-7476.

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